



# Fuel Adjustment Charge

*A Publication Of The Missouri Public Service Commission*

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*The Fuel Adjustment Charge (FAC) appears on your monthly electric bill as a separate line-item if you are a customer of The Empire District Electric Company, Ameren Missouri or KCP&L (in the former Aquila, Inc. service territories).*

## **Background**

The Fuel Adjustment Charge is not new. In fact, some customers have had an FAC charge on their electric bills since 2007. The charge was created after legislation (Senate Bill 179) was passed in 2006. The FAC is designed to address fuel and purchased power cost volatility, as well as, company off-system sales revenues. Those costs tend to change -- up and down -- quite frequently. The FAC attempts to capture those costs in a more timely fashion so that the company recoups cost increases closer to when those costs occur and consumers benefit faster, in lower rates, when those costs go down.

## **What Are Fuel And Purchased Power Costs?**

Fuel costs are costs the electric company incurs to purchase fuel such as coal, natural gas, uranium, or oil. Those fuels are used to run the power plants that produce the electricity that goes to your home. Purchased power costs are costs the company incurs if it has to buy power, either through a contract with another electric utility or on the spot market, to meet its customers' needs.



## **What Are "Off-System Sales"?**

Off-system sales is a term often used to describe sales of excess power on the open market by the electric company because the price that it receives for the sale is greater than the price to generate power. The revenue from those sales goes toward reducing the overall fuel costs to serve its customers. The retail customers' load (the amount of electricity required at a given time) is met first with the lowest cost generation.

## **Does The FAC Ever Change?**

Yes. When an electric company seeks to change its FAC, it is required to make a filing with the Missouri Public Service Commission. Under PSC rules, the Commission has 60 days after the filing to make a decision. After the filing is made, it is thoroughly reviewed by the PSC staff. The PSC staff then makes a recommendation to the Commission on whether the filing should be approved. If the filing complies with state law, PSC rules, is mathematically correct and receives PSC staff approval, the Commission allows the change to take effect.

## **How Is The FAC Calculated?**



The fuel adjustment charge is calculated using actual fuel costs and predicted customer usage. As part of the FAC process, a "true-up" is conducted to make sure what the company paid in fuel costs is what it billed its customers through the FAC charge. An annual true-up is necessary to reflect actual customer usage for that period of time reflected in the FAC charge. Predicted versus actual usage could vary based upon factors such as the weather and economic conditions. If an over-collection or under-collection has occurred, it is ultimately reflected in the customer FAC charges.

## **For more information**

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Created in 1913, the Missouri Public Service Commission (PSC) regulates investor-owned telecommunications, water and sewer, natural gas, electric and steam utilities. The PSC works to ensure that Missouri citizens receive safe, reliable and reasonably priced utility services. If you have an inquiry, billing question or service-related problem that your utility provider cannot answer, please call the PSC at **1-800-392-4211** or visit our website at [www.psc.mo.gov](http://www.psc.mo.gov)